

Washington State Auditor's Office

Audit Report

Audit Services

Report No. 57985

CITY OF TOPPENISH

Yakima County, Washington

January 1, 1994 Through December 31, 1995

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**CITY OF TOPPENISH
Yakima County, Washington
January 1, 1994 Through December 31, 1995**

**Independent Auditor's Report On Compliance With Laws And Regulations
At The Financial Statement Level (Plus Additional State Compliance
Requirements Per RCW 43.09.260)**

Mayor
City of Toppenish
Toppenish, Washington

We have audited the financial statements, as listed in the table of contents, of the City of Toppenish, Yakima County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated October 17, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the City of Toppenish is the responsibility of the city's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the city's compliance with certain provisions of laws, regulations, contracts, and grants.

We also performed additional tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the city complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office. Our responsibility is to examine, on a test basis, evidence about the city's compliance with those requirements and to make a reasonable effort to identify any instances of misfeasance, malfeasance, or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the city and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with these provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of material noncompliance that are required to be reported herein under *Government Auditing Standards*. However, we noted an instance of noncompliance immaterial to the financial statements which is identified in the Schedule of Findings accompanying this report.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 17, 1996

CITY OF TOPPENISH
Yakima County, Washington
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Internal Control Structure
At The Financial Statement Level**

Mayor
City of Toppenish
Toppenish, Washington

We have audited the financial statements of the City of Toppenish, Yakima County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated October 17, 1996.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the city is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the financial statements of the city, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A material weakness is a reportable condition in which the

design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 17, 1996

CITY OF TOPPENISH
Yakima County, Washington
January 1, 1994 Through December 31, 1995

Schedule Of Findings

1. Ten Percent Of The Net Proceeds Of Retained Forfeited Property Should Be Remitted To The State Treasurer

The city has not remitted 10 percent of the net proceeds of retained forfeited property to the state treasurer as required by the Uniform Controlled Substance Act.

The act, under RCW 69.50.505, states in part:

(h)(1) By January 31st of each year, each seizing agency shall remit to the state treasurer an amount equal to ten percent of the net proceeds of any property forfeited during the preceding calendar year . . .

(2) The net proceeds of forfeited property is the value of the forfeitable interest in property after deducting the cost of satisfying any bona fide security interest to which the property is subject at the time of seizure; and in the case of sold property, after the cost of sale . . .

(3) The value of sold forfeited property is the sale price. The value of retained forfeited property is the fair market value of the property at the time of seizure

The city stated that they were not aware of this statute.

By not complying, the city is retaining use of moneys rightfully belonging to the state.

We recommend city officials determine to the best of their knowledge the past amount owed to the state and remit that amount. We further recommend that in the future the city remit 10 percent of the net proceeds of retained as well as sold forfeited property to the state treasurer.

Auditee's Response

We have been unaware of the statute, which requires the city to remit 10 percent of the net proceeds of forfeited property, and this requirement has never been brought to our attention by your office during any of the audits since we established a Special Investigative Drug Account.

The Toppenish Police Department is in the process of reviewing records for last year to establish the net value of forfeited property. This will take some time, however, the Department will gather this information as soon as possible and the funds will be forwarded to the Washington State Treasurer's office. In the future, this will be done on an annual basis as stated in the RCW.

Auditor's Concluding Remarks:

We wish to thank the city for their cooperation and response to our audit report. The State Auditor's Office plans its audits using the risk based audit approach, in which we audit areas of the highest risk based on our evaluation of the city's internal controls structure and the inherent risk or nature of the compliance issues involved. Under this approach, high risk areas will be audited during each audit while lower risk areas are cycled on a multiple year basis or not audited unless some risk factors come to our attention. It would be cost prohibitive for the audits to cover every law and regulation that is applicable to the city. We look forward to working with the city's staff and will review the corrective action during our next audit.

CITY OF TOPPENISH
Yakima County, Washington
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Financial Statements And Additional
Information**

Mayor
City of Toppenish
Toppenish, Washington

We have audited the accompanying financial statements of the individual funds of the City of Toppenish, Yakima County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, as listed in the table of contents. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1C. to the financial statements, the city prepares the financial statements for its proprietary funds on the basis of accounting prescribed by the State Auditor in the *Budgeting, Accounting and Reporting System* (BARS) manual. This basis conforms to generally accepted accounting principles applicable to proprietary funds of local governments.

As described in Note 1C. to the financial statements, the city prepares its financial statements for the remaining funds on the basis of accounting prescribed by Washington State statutes and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor. This prescribed basis of accounting is a basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Toppenish, at December 31, 1995 and 1994, and the results of operations and cash flows for the Water/Sewer Funds for the years then ended in accordance with generally accepted accounting principles. For the remaining funds, in our opinion, the financial statements present fairly the recognized revenues and expenditures of the funds of the City of Toppenish, as of and for the fiscal years ended December 31, 1995 and 1994, on the basis of accounting prescribed by the BARS manual.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedules of Long-Term Debt and the Schedules of State Financial

Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 17, 1996, on our consideration of the city's internal control structure and a report dated October 17, 1996, on its compliance with laws and regulations.

Brian Sonntag
State Auditor

October 17, 1996

CITY OF TOPPENISH
Yakima County, Washington
January 1, 1994 Through December 31, 1995

Independent Auditor's Report On Supplementary Information
Schedule Of Federal Financial Assistance

Mayor
City of Toppenish
Toppenish, Washington

We have audited the financial statements of the City of Toppenish, Yakima County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated October 17, 1996. These financial statements are the responsibility of the city's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming an opinion on the financial statements of the City of Toppenish taken as a whole. The accompanying Schedules of Federal Financial Assistance are presented for purposes of additional analysis and are not a required part of the financial statements. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Brian Sonntag
State Auditor

October 17, 1996

CITY OF TOPPENISH
Yakima County, Washington
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Compliance With The General Requirements
Applicable To Federal Financial Assistance Programs**

Mayor
City of Toppenish
Toppenish, Washington

We have audited the financial statements of the City of Toppenish, Yakima County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated October 17, 1996.

We have applied procedures to test the city's compliance with the following requirements applicable to its federal financial assistance program, which is identified in the Schedules of Federal Financial Assistance, for the fiscal years ended December 31, 1995 and 1994:

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable costs/cost principles

The following requirements were determined to be not applicable to its federal financial assistance program:

- Davis-Bacon Act
- Relocation assistance and real property acquisition
- Drug-Free Workplace Act
- Administrative requirements, including subrecipient monitoring

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the city had not complied, in all material respects, with those requirements.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 17, 1996

CITY OF TOPPENISH
Yakima County, Washington
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Compliance With Specific Requirements
Applicable To Major Federal Financial Assistance Programs**

Mayor
City of Toppenish
Toppenish, Washington

We have audited the financial statements of the City of Toppenish, Yakima County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated October 17, 1996.

We also have audited the city's compliance with the requirements applicable to its major federal financial assistance program, which is identified in the accompanying Schedules of Federal Financial Assistance, for the fiscal years ended December 31, 1995 and 1994. Those requirements include:

- types of services allowed or unallowed
- special tests and provisions related to approvals, environmental reviews, and program income as described in the OMB *Compliance Supplement for Single Audits of State and Local Governments* grant agreement/contract
- and claims for reimbursements

The management of the city is responsible for the city's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the city's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the City of Toppenish complied, in all material respects, with the requirements referred to in the second paragraph of this report that are applicable to its major federal financial assistance program for the fiscal years ended December 31, 1995 and 1994.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 17, 1996

CITY OF TOPPENISH
Yakima County, Washington
January 1, 1994 Through December 31, 1995

**Independent Auditor's Report On Internal Control Structure Used In
Administering Federal Financial Assistance Programs**

Mayor
City of Toppenish
Toppenish, Washington

We have audited the financial statements of the City of Toppenish, Yakima County, Washington, as of and for the fiscal years ended December 31, 1995 and 1994, and have issued our report thereon dated October 17, 1996. We have also audited their compliance with requirements applicable to major federal financial assistance programs and have issued our report thereon dated October 17, 1996.

We conducted our audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-128, *Audits of State and Local Governments*. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the city complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audit, we considered the city's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and on compliance with requirements applicable to major federal assistance programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated October 17, 1996.

The management of the city is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with the prescribed basis of accounting.

- Federal financial assistance programs are managed in compliance with applicable laws and regulations.

Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

- **Accounting Controls**
 - Cash receipts
 - Receivables
 - Accounts payable
 - Purchasing and receiving
 - Payroll
 - General ledger
- **General Requirements**
 - Political activity
 - Civil rights
 - Cash management
 - Federal financial reports
 - Allowable costs/cost principles
- **Specific Requirements**
 - Types of services
 - Special requirements
- **Claims And Reimbursements**

For all of the applicable internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

The following internal control structure categories were determined to be insignificant to federal financial assistance programs:

- **Accounting Controls**
 - Cash disbursements
 - Inventory control
 - Property, plant, and equipment
- **General Requirements**
 - Davis-Bacon Act
 - Relocation assistance and real property acquisition
 - Drug-Free Workplace Act
 - Administrative requirements, including subrecipient monitoring
- **Specific Requirements**
 - Eligibility
 - Matching, level of effort, earmarking

- Reporting
- **Claims For Advances**
- **Amounts Claimed Or Used For Matching**

During the fiscal years ended December 31, 1995 and 1994, the city expended 72 percent and 62 percent, respectfully, of its total federal financial assistance under one major federal financial assistance program.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to the city's major federal financial assistance program, which is identified in the accompanying Schedules of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses.

This report is intended for the information of management and the mayor and to meet our statutory reporting obligations. This report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Brian Sonntag
State Auditor

October 17, 1996

CITY OF TOPPENISH
Yakima County, Washington
January 1, 1994 Through December 31, 1995

Status Of Prior Findings

The finding contained in the prior audit report was resolved as follows:

1. Payroll Charges To Federal Programs Should Be Adequately Supported

Resolution: The city is now maintaining adequate time and attendance records for all employee's whose time is billed to the Community Development Block Grant.